

MEMORANDUM

Office of the City Manager



To: Honorable Mayor and Council
Through: Thomas J. Wilson, City Manager
From: Blair King, Assistant City Manager
Subject: Cost Saving Proposal Related to Street Sweeping and BFI
Date: April 13, 2004

Attached is a memorandum previously distributed to Council that provides additional information on the proposed cost savings idea related to street sweeping.

Enclosure

MEMORANDUM

Office of the City Manager



To: Honorable Mayor and Council
Through: Thomas J. Wilson, City Manager *TJW*
From: Blair King Assistant City Manager *BK*
Subject: Cost Saving Proposal Related to Street Sweeping and BFI
Date: March 30, 2004

PROPOSAL

This memorandum is to provide the Council with advance notice of a cost savings proposal being planned for future presentation to the City Council. This concept, if implemented, would reduce the City's General Fund expenditures by approximately \$200,000 to \$225,000 annually, improve street sweeping services, and could be implemented in a manner in which the impact on the public would be negligible. In brief, the proposal is to transfer street sweeping expenses from the General Fund to the Solid Waste Fund, treat street sweeping as a solid waste function that would be incorporated into the solid waste franchise, and make street sweeping the responsibility of the City's solid waste hauler, BFI. The proposal is offered in the context of an innovative way to reduce General Fund expenses and improve the General Fund's bottom line. Your comments and questions are welcome.

BACKGROUND AND DISCUSSION

In California, street sweeping has historically been considered janitorial work, closely aligned with solid waste refuse service. As a result, it is exempt from public works rules and regulations; and no license is required to perform street sweeping. Additionally, California law – Public Resource Code 40059, 49300, and 40059 (a)(2) – allows solid waste services to be contracted without competitive bid and through exclusive franchises. Several cities, including but not limited to Morgan Hill, Gilroy and Half Moon Bay, currently treat street sweeping as a solid waste function and require the city's solid waste hauler to sweep the streets. Other cities, such as Palo Alto, fund street sweeping as a solid waste enterprise function and sweep the streets themselves or via contract.

Milpitas currently contracts street sweeping services. The contractor sweeps 8,782 curb miles, 70 intersections, and 96 parking lots. Residential areas are swept twice per month. Commercial and industrial areas are swept four times per month. During the months of November and December, three residential areas with a high number of trees are swept weekly. Currently, the annual cost for the street sweeping contract is \$190,000. The total street sweeping budget is \$204,000, with the additional \$14,000 set aside for special events, parades, and unknown contingencies.

Milpitas reached the end of its six-year street sweeping contract last year. An extension was added to allow staff time to research and develop a concept to reduce street sweeping expenses. In the past,

Milpitas has enjoyed a very competitive rate; however, based on a survey of costs, street sweeping expenses are expected to increase 15% - 20% or more. In order to reduce costs, staff considered reducing the frequency of street sweeping. In January 2004, the City of San Jose reduced residential street sweeping from twice per month to once per month. Staff is not recommending this option at this time. The option of maintaining service levels and requiring the City's solid waste hauler to sweep streets is considered a better alternative.

BFI has agreed to provide street sweeping at the same service levels the City currently enjoys at a rate of \$17.87 per curb mile. Staff has monitored the market and considers the BFI proposal competitive. Three different surveys of street sweeping costs conducted in 2001 and 2003 have been studied. The following is a sample of the results:

San Jose, Universal Sweeping Services - \$19.75 per curb mile (11/08/01)

Pleasanton - \$19.14 per curb mile (2/26/03)

Campbell - \$18.36 per curb mile (2/26/03)

Foster City - \$17.00 - \$20.00 per curb mile (2/26/03)

Menlo Park - \$22.24 per curb mile (2/26/03)

Union City, Enviro-Commercial Sweeping - \$18.12 per curb mile (11/08/01) (note: Milpitas' street sweeping provider)

Pleasant Hill - \$17.91 per curb mile (2/26/03)

Dublin - \$21.91 per curb mile (5/23/03)

El Cerrito - \$25.50 per curb mile (5/23/03)

Milpitas - BFI proposed - \$17.87 per curb mile for both residential and commercial service

Based on a survey conducted by the City of Tulare in May 2003, the average cost of street sweeping is \$18.88, the BFI proposal is \$1.01, 5.3% percent below the average.

Two different options have been developed to transfer street sweeping obligations to the solid waste hauler. Option One, conveys the obligation for street sweeping to BFI without a cost to the City or the resident for a four year period, but provides consideration via the extension of the franchise agreement. Option Two, transfers the obligation for street sweeping to BFI without an extension of the franchise agreement yet postpones impacts upon residents until 2005.

Option One - BFI will begin to sweep the streets within 30 day notice from the City. BFI will not charge for street sweeping in 2004, 2005, 2006, and 2007. In exchange the City will offer to extend the franchise agreement, subject to amendments imposed by the City, for ten years, until September 2, 2017. Under this scenario, households would not see an impact from the shift of street sweeping

services from a General Fund expense to a Solid Waste activity until 2008. The charge beginning in 2008 would be approximately \$0.74 per month and would be reflected in the garbage bill. The agreement with BFI would be subject to amendment with regard to solid waste and financial issues.

Option Two - BFI will begin to sweep the streets within 30 day notice from the City. There would be no charge until January 2005. A fee of \$0.89 per month for residential costumers would be imposed at that time by BFI. The BFI franchise would expire September 2, 2007.

Service Improvements - Although the frequency of street sweeping would remain the same, service improvements are proposed. One common concern with street sweeping is the question of whether or not a particular street was actually swept. Through global positioning (GPS) capabilities, BFI can track and monitor the location of street sweepers and produce a record of their location. BFI will also be able to increase supervision and communication allowing them to respond, if necessary, to unexpected street sweeping needs throughout the day.

The consolidation of street sweeping and solid waste collection, two janitorial functions, under one vendor is a sound and prudent management decision. California law envisions that solid waste collection agreements might be negotiated. The possibility to avoid impacts upon the residents by extending the BFI franchise is an option offered to the Council for consideration. BFI has committed to working with staff on waste issues. Street sweeping would not alter any requirement of the franchise agreement.

SUMMARY – NEXT STEPS

Again, this memorandum is intended as a “heads-up.” It is anticipated that staff will recommend the following:

- 1) Street sweeping to be considered a solid waste function;
- 2) Implement street sweeping via the City's solid waste hauler; and
- 3) Amend the Solid Waste Franchise Agreement as appropriate to effectuate the changes.

Your questions are encouraged.

c: Mike McNeely, City Engineer
Darryl Wong, Principal Engineer
Dennis Cuciz, Public Works